

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 382 - SB 583**

March 3, 2011

**SUMMARY OF BILL:** Increases, from \$1,000,000 to \$1,750,000, the single allowable exemption for state inheritance tax on estates of decedents dying in tax years 2012 and thereafter. Requires inflation adjustments be made every three years to the single allowable exemption in subsequent years.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$16,524,600/FY11-12  
\$22,032,800/FY12-13 and Subsequent Years**

**Increase Local Revenue - \$214,000/FY11-12  
\$285,400/FY12-13 and Subsequent Years**

**Other Fiscal Impact – In tax year 2015, the single allowable exemption will increase based on the rate of inflation over the prior three-year period. As a result, the estimated recurring decrease in state revenue, and the estimated recurring increase in local government revenue, will grow based on the rate of inflation.**

**Assumptions:**

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Fiscal Review Committee staff has estimated inheritance tax collections to be \$98,000,000 and \$101,430,000 for FY10-11 and FY11-12 respectively.
- Inheritance tax collections in FY12-13 and subsequent fiscal years remain constant at \$101,430,000.
- Pursuant to the nine-month filing extension authorized by Tenn. Code Ann. § 67-8-419(a), the estates of decedents dying between January 1, 2012, and September 30, 2012, are assumed to be processed during FY12-13. The estates of decedents dying between October 1, 2012, and December 31, 2012, are assumed to be processed during FY13-14. Therefore, the first-year impact (FY12-13) is estimated to be 75 percent of the first full-year impact (FY13-14).

- Based on information provided by the Department of Revenue, and from Monte Carlo simulations conducted by the Department, approximately 22.51 percent of inheritance tax revenue would be eliminated as a result of this bill. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- The net decrease in state revenue in FY12-13 is estimated to be \$16,524,583  $[(\$101,430,000 \times 22.51\% \times 75.0\%) - (\$101,430,000 \times 22.51\% \times 75.0\% \times 50.0\% \times 7.0\%)]$ .
- The increase in local government revenue in FY12-13 will be \$214,049  $(\$101,430,000 \times 22.51\% \times 75.0\% \times 50.0\% \times 2.5\%)$ .
- The net recurring decrease in state revenue beginning in FY13-14 is estimated to be \$22,032,777  $[(\$101,430,000 \times 22.51\%) - (\$101,430,000 \times 22.51\% \times 50.0\% \times 7.0\%)]$ .
- The recurring increase to local government revenue beginning in FY13-14 will be \$285,399  $(\$101,430,000 \times 22.51\% \times 50.0\% \times 2.5\%)$ .

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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